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**Rimbunan Sawit**

**RIMBUNAN SAWIT BERHAD** (691393-U)  
(Incorporated in Malaysia under the Companies Act, 1965)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE**

**PROPOSED ACQUISITION BY R.H. PLANTATION SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF RIMBUNAN SAWIT BERHAD, OF A PARCEL OF LAND WITH OIL PALM PLANTATION SITUATED AT SUNGAI LUAI AND SUNGAI BAWAH, NIAH, SARAWAK MEASURING 4,857 HECTARES HELD UNDER LOT 56, SAWAI LAND DISTRICT FROM SHEBA RESOURCES SDN BHD FOR A CASH PURCHASE PRICE OF RM118,000,000 AND THE ASSUMPTION OF THE ACCRUED INTEREST ARISING FROM THE OUTSTANDING LOAN (AS DEFINED HEREIN)**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Adviser*



(Wholly owned subsidiary of Hong Leong Bank Berhad)

**MIMB INVESTMENT BANK BERHAD** (10209-W)  
A Participating Organisation of Bursa Malaysia Securities Berhad

The Notice of the Extraordinary General Meeting, to be held at the Function Room, 1<sup>st</sup> Floor, No 41-42, Pusat Suria Permata, Jalan Upper Lanang, 96000 Sibu, Sarawak on Monday, 22 August 2011 at 10.30 a.m. is set out in this Circular. Shareholders are advised to refer to the Notice of Extraordinary General Meeting and the Form of Proxy enclosed herein.

If you decide to appoint a proxy to attend and vote on your behalf at the Extraordinary General Meeting, the Form of Proxy must be lodged at the Registered Office of the Company at No. 85-86, Pusat Suria Permata, Jalan Upper Lanang 12A, 96000 Sibu, Sarawak not less than forty-eight (48) hours before the time appointed for the meeting. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently decide to do so. The last day and time for lodging the Form of Proxy is on Saturday, 20 August 2011 at 10.30 a.m.

This Circular is dated 5 August 2011

## DEFINITIONS

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Except where the context otherwise requires, the following definitions and terms apply throughout this Circular:-

Act	: Companies Act, 1965
Accrued Interest	: The interests accrued on the Outstanding Loan commencing from 1 February 2011 up to the redemption date, to be assumed by RSB pursuant to the Proposed Acquisition
Board	: The Board of Directors of RSB
Bursa Securities	: Bursa Malaysia Securities Berhad
Circular	: This circular dated 5 August 2011 to the shareholders of RSB
CPO	: Crude palm oil
EGM	: Extraordinary general meeting
EPS	: Earnings per share
FFB	: Fresh fruit brunches
FIC	: The Foreign Investment Committee
FPE	: Financial period ended
FYE	: Financial year ended
Ha.	: Hectare(s)
HB Miri	: Henry Butcher Malaysia (Miri) Sdn Bhd, an independent registered firm of valuers appointed by RSB in relation to the Proposed Acquisition
LPD	: 25 July 2011, being the latest practicable date prior to the printing and despatch of this Circular
Matured Area	: Area with palm trees that are more than 30 months after field planting where FFB production has commenced
Memorandum	: The memorandum dated 11 February 2011 entered into between RHP and Sheba Resources in relation to the Proposed Acquisition
MIMB	: MIMB Investment Bank Berhad
MOF	: Ministry of Finance
MT	: Metric tonnes
NA	: Net assets
NBV	: Net book value
Original Financier	: The financial institution, which has granted the Outstanding Loan to Sheba Resources which is secured by a charge over the Sawai Land for RM145,696,570 vide L 13969/2008 of 22.10.2008
Outstanding Loan	: The existing loan facility granted by the Original Financier with an outstanding amount of RM95,888,431.24 as at 31 January 2011, inclusive of interest. For information purposes, as at 31 July 2011, the outstanding amount of the Outstanding Loan is RM97,327,721.56, inclusive of interest.

## DEFINITIONS

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p.a	: Per annum
Proposed Acquisition	: Proposed acquisition by RHP of the Sawai Land together with the plantation, facilities, infrastructures, improvements and movable and immovable assets thereon from Sheba Resources for a cash purchase price of RM118,000,000 and the assumption of the Accrued Interest arising from the Outstanding Loan
Purchase Price	: The cash purchase price of RM118,000,000 and the assumption of the Accrued Interest arising from the Outstanding Loan for the Proposed Acquisition
RHP	: R.H. Plantation Sdn Bhd, a wholly-owned subsidiary of RSB
RM	: Ringgit Malaysia
RSB or Company	: Rimbunan Sawit Berhad
RSB Group or Group	: RSB and its subsidiary companies
RSB Share(s) <i>or</i> Share(s)	: Ordinary shares of RM0.50 each in RSB
Sawai Land	: The parcel of land with oil palm plantation (known as Selangor Plantation Estate) situated at Sungai Luai and Sungai Bawah, Niah, Sarawak measuring 4,857 Ha. and held under Lot 56, Sawai Land district
Selangor Plantation Estate	: The name of the plantation estate situated in Sawai Land, measuring 4,857 Ha.
Sheba Resources or Vendor	: Sheba Resources Sendirian Berhad
SPA	: The conditional sale and purchase agreement dated 3 June 2011 entered into between RHP, the Vendor and the Directors of Sheba Resources, namely Shah Headan Bin Ayoob Hussain Shah, Melati Binti Shamsuri and Samsury @ Shamsuri Bin Muhamad Saleh, pursuant to the Proposed Acquisition
Valuation Report	: The valuation report of the Sawai Land dated 29 March 2011, prepared by HB Miri
YOP	: Year of planting

Words denoting the singular number only shall include the plural and also vice-versa and words denoting the masculine gender shall, where applicable, include the feminine gender, neuter gender and vice-versa. Reference to persons shall include corporations.

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**Rimbunan Sawit**

**RIMBUNAN SAWIT BERHAD** (691393-U)  
(Incorporated in Malaysia under the Companies Act, 1965)

**Registered Office:**

No. 85-86, Pusat Suria Permata,  
Jalan Upper Lanang 12A,  
96000 Sibu, Sarawak

5 August 2011

**Board of Directors:**

Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King (*Executive Chairman*)  
Tiong Kiong King (*Non-Independent Non-Executive Vice Chairman*)  
Tiong Chiong Ong (*Managing Director*)  
Tiong Chiong Ie (*Non-Independent Non-Executive Director*)  
Bong Wei Leong (*Independent Director*)  
Tiong Ing Ming (*Independent Director*)

**To: The Shareholders of RSB**

Dear Sir/Madam,

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**PROPOSED ACQUISITION BY RHP OF A PARCEL OF LAND WITH OIL PALM PLANTATION SITUATED AT SUNGAI LUAI AND SUNGAI BAWAH, NIAH, SARAWAK MEASURING 4,857 HECTARES HELD UNDER LOT 56, SAWAI LAND DISTRICT FROM SHEBA RESOURCES SDN BHD FOR A CASH PURCHASE PRICE OF RM118,000,000 AND THE ASSUMPTION OF THE ACCRUED INTEREST ARISING FROM THE OUTSTANDING LOAN**

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**1. INTRODUCTION**

On 11 February 2011, the Company announced that RHP, a wholly-owned subsidiary of RSB, had on even date entered into the Memorandum with Sheba Resources with the intention to acquire the Sawai Land from Sheba Resources for a cash purchase price of RM118,000,000 and the assumption of the Accrued Interest. Further to the Memorandum, RHP and Sheba Resources had agreed in writing to extend up to 3 June 2011 for the parties to enter into a sale and purchase agreement for the Proposed Acquisition.

On 3 June 2011, RHP entered into the SPA with Sheba Resources and the Directors of Sheba Resources, namely Shah Headan Bin Ayoob Hussain Shah, Melati Binti Shamsuri and Samsury @ Shamsuri Bin Muhamad Saleh, for the Proposed Acquisition. Shah Headan Bin Ayoob Hussain Shah and Melati Binti Shamsuri, who are the Directors of Sheba Resources, are also the guarantors for the Outstanding Loan.

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS OF THE PROPOSED ACQUISITION AND TO SEEK YOUR APPROVAL ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE EGM TOGETHER WITH THE FORM OF PROXY IS ENCLOSED IN THIS CIRCULAR.**

**SHAREHOLDERS OF RSB ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION AT THE FORTHCOMING EGM.**

## **2. THE PROPOSED ACQUISITION**

### **2.1 Details of the Proposed Acquisition**

Pursuant to the Proposed Acquisition, RHP shall acquire the Sawai Land from Sheba Resources together with the plantation, facilities, infrastructures, improvements and movable and immovable assets thereon for a cash purchase price of RM118,000,000 and the assumption of the Accrued Interest.

The Sawai Land shall be acquired by RHP with vacant possession on an “as is where is” basis and free from all encumbrances whatsoever including charges, liens, subleases, caveats, lis pendens, court orders and/or prohibitory order, subject to the restrictions and conditions endorsed on the land register and the title document of the Sawai Land.

### **2.2 Basis and justification of the purchase consideration**

The cash purchase price for the Proposed Acquisition of RM118,000,000 was arrived at on a “willing-buyer willing-seller” basis after taking into consideration the market value of the Sawai Land of RM118,600,000, as appraised by HB Miri as at the material date of valuation of 28 February 2011 and based on the comparison and discounted cash flow methods of valuation.

### **2.3 Mode of payment**

The Purchase Price was/shall be paid in the following manner:-

- (i) a deposit of RM3,000,000 has been duly paid to the Vendor on 11 February 2011;
- (ii) a further deposit of RM2,000,000 and RM5,000,000 have been paid to the Vendor on 18 February 2011 and 28 April 2011 respectively;
- (iii) a further sum of RM5,000,000 shall be paid to the Vendor upon obtaining the consents as detailed in Section 3.1 below or on 15 June 2011, whichever is later, out of which a sum of RM3,000,000 shall be retained by the solicitors of RHP until the settlement of all claims under the Litigation, as detailed in Section 3.2 below; and
- (iv) the balance sum of RM103,000,000 shall be paid to the solicitors of RHP within three (3) months from the date of receiving the consents as detailed in Section 3.1 below for payment out to the Vendor subject to the terms of the SPA:-
  - RM95,888,431.24 shall be utilised to redeem the Outstanding Loan in accordance with the terms of the SPA; and
  - RM7,111,568.76 shall be released to the Vendor after deducting liabilities not limited to the Litigation detailed in Section 3.2 below, unsettled bills and invoices and real property gains tax paid by RHP on behalf of the Vendor to secure the good ownership of the Sawai Land and upon the issuance of the Form L by Miri Land Registry Office accepting registration simultaneously (i) memorandum of transfer in respect of the Sawai Land in favour of RHP and (ii) the memorandum of charge (if applicable) in respect of the Sawai Land in favour of the end-financier which provides the loan to finance the purchase.

### **2.4 Source of funding**

The Purchase Price shall be satisfied via a combination of internally generated funds and bank borrowings with detailed terms to be finalised. In determining the quantum of bank borrowings to be taken up vis-à-vis internal funds, RSB shall endeavour to achieve an optimum funding mix after taking into consideration, amongst others, the gearing level, interest costs as well as internal cash requirements of the RSB Group.

## 2.5 Additional financial commitments

The Selangor Plantation Estate is mainly planted with matured oil palm trees aged between 14 and 16 years. However, due to the lack of proper up-keep and maintenance being carried out on the estate during the past few years, RHP would have to rehabilitate the estate upon completion of the Proposed Acquisition. This rehabilitation programme is anticipated to cost the RSB Group approximately RM5.5 million over the next two (2) years and HB Miri has taken into consideration the cost of rehabilitation in arriving at the market valuation of the Sawai Land. Save for the above, no other financial commitment is anticipated to put the plantation operations of the Selangor Plantation Estate on-stream.

## 2.6 Assumption of liabilities

Save for the Accrued Interest to be assumed by RSB, the Company shall not assume any other liabilities, including contingent liabilities and guarantees pursuant to the Proposed Acquisition. Based on the prevailing interest rate of the Outstanding Loan of approximately 7.75% p.a. and an assumed redemption at the end of September 2011, for illustration purposes only, the estimated total accrued interest to be assumed and settled by RHP would be approximately RM4.95 million.

The Outstanding Loan, which shall be redeemed by RHP on behalf of the Vendor, forms part of the Purchase Price in accordance with the terms of the SPA. In effect, the Outstanding Loan shall be assumed by RHP pursuant to the Proposed Acquisition.

The total consideration for the Proposed Acquisition shall therefore be the aggregation of the Purchase Price (of RM118,000,000) and the Accrued Interest (the final quantum to be determined at the redemption date of the Outstanding Loan).

## 2.7 Brief description of the Sawai Land

<b>Title</b>	: Lot 56 Sawai Land District
<b>Location</b>	: Sungai Luai and Sungai Bawah, Niah
<b>Title area</b>	: 4,857.00 Ha.
<b>Planted Area</b>	: 3,433.12 Ha.
<b>Age of oil palm</b>	: Between 14 years and 16 years
<b>Land usage</b>	: Mixed Zone Land / Country Land
<b>Tenure</b>	: Leasehold 60 years expiring on 21 February 2054
<b>Encumbrances</b>	: Charged to the Original Financier for the Outstanding Loan
<b>Market Value (RM)</b>	: RM118,600,000, as appraised by HB Miri
<b>Unaudited NBV as at 31 December 2010</b>	: RM105,174,159

The facilities, infrastructures, improvements and movable and immovable assets located within the Sawai Land to be acquired by RSB consist of roads, office, guard house, store, workshop, semi-detached quarters, labour quarters, canteen and genset house.

The market value assigned to the Sawai Land is derived based on the discounted cash flow and comparison method of valuations, as appraised by HB Miri with the material valuation date as at 28 February 2011. The valuation methodologies employed by HB Miri are detailed in the Valuation Certificate included in Appendix I of this Circular.

## 2.8 Plantation profile

Category	Ha.
<b>Matured Area</b>	
YOP 1995	859.26
YOP 1996	856.49
YOP 1997	1,717.37
<b>Total planted area</b>	<b>3,433.12</b>
Unplanted area	300.00
Unplantable area	941.11
Buildings and roads	182.77
<b>Total land area</b>	<b>4,857.00</b>

## 2.9 FFB production

The yield record of the Sawai Land, based on the total FFB production divided by total matured area, is as follows:-

	2006	2007	2008	2009	2010
FFB (MT)	23,999	11,650	12,445	8,026	5,963
Total weighted average (MT/Ha.)	6.99	3.39	3.62	2.34	1.74

FFB production at the Sawai Land was generally on a decreasing trend since 2006 to 2010, mainly due to the lack of proper up-keep and maintenance being carried out on the estate during the past five (5) years.

## 2.10 Revenue and expenses

Based on the management account of Sheba Resources, the revenue and the expenses incurred in respect of the operation of the Sawai Land for the past three (3) years, were as follows:-

FYE 31 December	2008	2009	2010
<b>Revenue (RM)</b>	6,196,723	3,520,882	3,120,981
<b>Expenses incurred (RM)</b>	13,107,174	4,451,234	3,709,931

In FYE 31 December 2009, Sheba Resources' revenue and expenses have declined significantly due to a reduction in fertilizing and field upkeep and maintenance which negatively affected FFB production.

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## 2.11 Background information of the Vendor

Sheba Resources was incorporated in Malaysia under the Act on 21 June 1994. As at 23 May 2011, its authorised share capital stood at RM25,000,000, comprising 25,000,000 ordinary shares of RM1.00 each, of which 19,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

Sheba Resources is principally involved in agricultural activities. The Directors and substantial shareholders together with their respective shareholdings in Sheba Resources as at 23 May 2011 were as follows:-

Name	Age	Nationality	Designation	No. of shares	(%)
Shah Headan Bin Ayoob Hussain Shah	47	Malaysian	Director	18,987,500	99.93
Melati Binti Shamsuri	45	Malaysian	Director	12,500	0.07
Shamsury @ Shamsuri Bin Muhamad Saleh	74	Malaysian	Director	-	-

## 3. SALIENT TERMS OF THE SPA

### 3.1 Conditions precedent

The SPA is conditional upon obtaining the following within three (3) months from 3 June 2011 being the date of the SPA, unless otherwise mutually agreed to be extended or waived:-

- (a) the consent from the Director of the Land and Survey Department of Sarawak;
- (b) the consent from the FIC;
- (c) the consent from the Original Financier to assign or transfer the Outstanding Loan to RHP on terms and conditions acceptable to RHP or alternatively, to allow RHP to redeem the said facility with no adverse conditions to be imposed;
- (d) the consent from the MOF, pursuant to item (c) above, if required;
- (e) the letter of confirmation from the solicitors of RHP's financier that the new loan facility to be taken by RHP can be released to the Original Financier;
- (f) the clearance from Bursa Securities for the Valuation Report and the circular to RSB's shareholders; and
- (g) the approval from the shareholders of RSB for the Proposed Acquisition at an EGM to be convened.

In the event that all the above conditions precedent are not fulfilled upon the expiration of three (3) months from the date of the SPA unless otherwise mutually agreed to be extended or waived, and/or the approval term is not acceptable to RHP despite an appeal, the SPA shall be deemed to have been frustrated and the Proposed Acquisition shall thereby be treated as cancelled and aborted.

In this event, the rehabilitation costs invested by RHP and all payments received by Sheba Resources, including all instalment payments made by RHP for the Outstanding Loan shall be refunded (without interest) and only upon full settlement by Sheba Resources, any caveat lodged against the Sawai Land shall then be withdrawn and henceforth neither party hereto shall have any claim whatsoever against each other.

### 3.2 Litigation

There was a litigation against the Vendor as the defendant under the Miri High Court Suit No. 22-64-2008 (MR) by Selangor Oil Palm Industries Corporation Sdn. Bhd (“**Plaintiff**”) claiming for inter alia, unpaid rental amounting to RM2,014,193.54 being rental for the Sawai Land (then owned by the Plaintiff) for a period beginning June 2008 to 6 January 2009 (“**Litigation**”).

Pursuant to the SPA, a sum of RM3,000,000, which forms part of the Purchase Price, is retained by the solicitors of RHP and shall only be released to the Vendor upon settlement by the Vendor of all claims under the Litigation.

On 20 May 2011, a judgment has been entered against the Vendor for the Litigation by the Miri High Court for the sum of RM2,014,193.54 together with interest thereon at the rate of 8% p.a from the date of judgment until full and final payment and costs to be taxed if not agreed.

## 4. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is consistent with RSB’s plans to continue to expand its oil palm cultivation business by acquiring new land bank in Malaysia. The Proposed Acquisition represents a strategic investment by RSB and is expected to contribute positively to the earnings as well as the shareholders’ value of the RSB Group in the medium to long term.

Currently, the FFB harvested from the Selangor Plantation Estate is sent for processing at a third party palm oil mill. Upon completion of the Proposed Acquisition, all FFB produced by the Selangor Plantation Estate is expected to be sent for processing at the RH Palm Oil Mill, which is currently owned and operated by the RSB Group. As such, the RH Palm Oil Mill would have an assured supply of FFB from the Selangor Plantation Estate, which in turn would enable the mill to operate at a more optimal capacity.

## 5. INDUSTRY OUTLOOK, FUTURE PROSPECTS & RISK FACTORS

### 5.1 Industry outlook

The Malaysian oil palm industry recorded mixed performance in 2010. Lower CPO production and higher exports pushed palm oil stocks down to 1.62 million tonne (“Mn T”). Tight vegetable oil supplies and high crude oil prices during the year pushed palm oil price from a comfortable level of RM2,500 in the first half of the year to more than RM3,000 towards the end of the year. Export earnings from oil palm products reached RM59.77 billion, an increase of 20.4% from RM49.66 billion recorded the previous year.

The total oil palm planted area increased by 3.4% to 4.85 million hectares in 2010 with the largest expansion in Sarawak, an increase of 79,670 hectares or 9.5% and Sabah with an increase of 48,078 hectares or 3.5%. Peninsular Malaysia recorded an increase of 34,858 hectares or 1.4%. Sabah is still the largest oil palm planted state, accounting for 1.4 million hectares or 29% of the total planted area in the country, followed by Sarawak with 0.9 million hectares or 19%.

CPO production dropped by 3.3% to 16.99 Mn T from 17.56 Mn T in 2009. Average FFB yield fell 6.1% to 18.03 tonnes per hectare while Oil Extraction Rate (OER) was 20.45%, lower by 0.2% compared to 20.45% in 2009. Unusual weather patterns of hot and dry conditions from El Nino phenomena in the first half of the year and excessive rainfalls from La Nina phenomena in the second half had affected the FFB yield and OER which in turn contributed to the lower CPO production. Heavy rainfall and floods especially towards end of the year had affected harvesting activity.

Total exports of oil palm products, consisting of palm oil, palm kernel oil, palm kernel cake, oleochemicals, biodiesel and finished products increased by 2.8% or 0.63 Mn T to 23.06 Mn T in 2010 from 22.43 Mn T recorded in 2009. Total export earnings also rose by 20.4% or RM10.13 billion to RM59.77 billion compared to the RM49.66 billion achieved in 2009 because of higher export prices. Most of the oil palm products registered increases in exports, except for finished products and biodiesel.

Palm oil stocks in 2010 closed at 1.62 Mn T, down by 27.9% as compared to the previous year's closing level of 2.24 Mn T. The decline was mainly due to lower CPO production by 3.3% coupled with increase in export demand by 4.9%.

CPO prices traded at RM2,549.50 per tonne during the first half of the year, supported by positive sentiments related to supply tightness of vegetable oils in the world market and low domestic palm oil stocks. Subsequently, during the second-half of the year, bullish market sentiments supported by firmer crude oil price, coupled with world vegetable oils supply tightness, especially that of palm oil and soyabean oil supported positive price sentiments. This resulted in the increase of second half of the year average CPO price to RM2,837.50 per tonne level.

The average CPO price in 2010 increased by 20.8% or RM464.50 to RM2,701.00 against RM2,236.50 in the previous year.

*(Source: Overview of the Malaysian Oil Palm Industry 2010, Malaysian Palm Oil Board)*

World production of total vegetable oils had decreased by 7.1% to 42.31 Mn T in the first quarter of 2011 from 45.54 Mn T in the fourth quarter of 2010, mainly due to smaller production of major vegetable oils in various producing countries. The production of palm oil had dropped by nearly 17% or about 2 Mn T to 10.13 Mn T in the first quarter of 2011. In Malaysia, palm oil production had decreased by 17.6% from 4.33 Mn T in the fourth quarter of 2010 to 3.57 Mn T in the first quarter of 2011. Production of palm kernel and palm kernel oil in Malaysia had also decreased to 0.91 Mn T or by 14.9% and to 0.41 Mn T or by 23.4% respectively.

Malaysian palm oil export had decreased from 4.25 Mn T in the previous quarter to 3.57 Mn T (6.1%) in this quarter. China maintained its position as the biggest export market for Malaysian palm oil totaling 0.76 Mn T or 21.3% of total palm oil exports, and Japan 0.14 Mn T (3.8%). Malaysian exports of palm kernel oil had also decreased by 25.8% from 0.32 Mn T in the previous quarter to 0.24 Mn T in this quarter and exports for palm kernel cake had also decreased by 46.1% to 0.36 Mn T from 0.67 Mn T in the previous quarter.

Soy bean oil ("SBO") and crude oil prices as well as production of CPO will likely be the main driver of palm oil prices in the 2<sup>nd</sup> quarter of 2011. Price of SBO showed a downward trend from January to March 2011 but on the contrary, the price of crude oil showed otherwise. However, since the price of SBO has a closer relationship as compared to crude oil, therefore this gives an early picture that the price of CPO will be in downward direction during the second quarter of 2011. Meanwhile, the production of CPO and stock of palm oil had shown an upward trend from January to March 2011, thus the supply side arguments also strongly suggested that the price of CPO will also be on the downward trend in the 2<sup>nd</sup> quarter of 2011. It has been estimated that the price of CPO in the second quarter will decline to RM 3,376 per tonne as compared to RM 3,693 per tonne in the first quarter, or a decrease of about 9%

*(Source: Quarterly Report on Oils and Fats, 1<sup>st</sup> Quarter 2011, Malaysian Palm Oil Board)*

## 5.2 Future prospects

The Proposed Acquisition is expected to contribute positively to the earnings of the RSB Group. Furthermore, coupled with the rehabilitation and new planting/replanting programmes to be carried out over the next two (2) years, the Board is positive that the profit contribution from the Selangor Plantation Estate will grow in line with the higher anticipated FFB yield per Ha. The Board believes that with the increase in the size of the land bank pursuant to the Proposed Acquisition, it will put the RSB Group on a strong footing to become one of the major players in the oil palm cultivation business in Malaysia.

### 5.3 Risk factors

The Board does not foresee any material risks pursuant to the Proposed Acquisition and except for the inherent risk factors associated with the plantation industry, which can be summarized below, in which the RSB Group is already involved.

(a) ***Business risks***

Pursuant to the Proposed Acquisition, the RSB Group will continue to be subject to the risks inherent in the oil palm plantation industry. These include but not limited to the fluctuations in demand and commodity prices, weather conditions, pests and diseases, threat of substitutes for palm oil products, constraints of supply of labour and raw materials, rising costs of raw materials, potential native customary rights claims and changes in general economic, business and credit conditions. Although the Board and management of RSB would continuously take appropriate measures to limit such risks, no assurance can be given that any change to these factors will not have a material adverse effect on the business operations of the RSB Group.

(b) ***Fluctuations in CPO Prices***

The prices of palm oil products fluctuate over time based on the demand and supply in global edible oils and fats market. The prices are highly susceptible to external market forces and changes in global demand and supply of other edible oils, which would correspondingly affect the prices of palm oil products, and such factors are beyond the RSB Group's control.

The movements in annual average CPO prices for the past 5 years and for January to July 2011 are summarised below:-

	<-----Average Price (RM/tonne)----->					
	2006	2007	2008	2009	2010	January – July 2011
CPO (local delivered)	1,502.50	2,516.50	2,773.00	2,236.50	2,701.00	3,398.00

(Source: Malaysian Palm Oil Board)

As a core oil palm plantation company, any fluctuation in the prices of CPO and other palm oil products will accordingly affect the Company's profitability. Although RSB do not have any specific hedging strategy against the fluctuation of CPO prices, the Company seeks to mitigate any adverse effect caused by the fluctuations in CPO prices through adopting a more prudent management approach with the objectives of enhancing the cost efficiencies and optimisation of returns and focusing its efforts to improve the overall production efficiency and yield of their plantation estates.

(c) ***Competition***

As palm oil is a commodity, direct competition amongst the local plantation owners is expected to be minimal as the local industry players usually only compete for land and labour. However, due to the scarcity of suitable plantation land and the occasional shortage of labour forces, particularly foreign workers, the local industry players may face challenges to counter rising production cost for palm oil.

As a mitigating factor, the RSB Group continues to source for suitable land bank in Malaysia, particularly in Sarawak, to increase its plantation land bank for oil palm cultivation.

(d) ***Threat of substitutes***

Palm oil faces competition from other edible or vegetable oils such as soybean, sunflower seed, rapeseed and other such substitutes for palm oil. The RSB Group constantly monitors the global demand patterns and trends for edible oils particularly palm oil which would assist them in making the appropriate decisions relating to its CPO production and sales. In addition, the RSB Group works closely with the Malaysian Palm Oil Board to leverage on its various marketing and promotion activities as well as its research and development efforts in expanding the palm oil market.

(e) ***Weather conditions***

The FFB yield and production from oil palm trees will be affected by abnormal and adverse weather conditions such as excessive rainfall (*La Nina*) and protracted drought season (*El Nino*). The Company has taken several preventive measures including monitoring fire outbreaks, road maintenance and setting up proper drainage systems to mitigate any possibilities caused by such adverse weather conditions.

(f) ***Pests and diseases***

Although oil palm trees in general are comparatively free of pests and diseases, there are occasional outbreaks caused by pests such as termites, bagworms and caterpillars. Currently, the Company has taken measures to control the population of pests in their estates by destroying potential breeding grounds of pests, exterminating pests by using pesticides and carrying out frequent inspections to ensure that the population remains significantly below a threatening level. The Company recognise that there are concerns that the use of pesticides may potentially pose as a health and environmental risk in the long term. While there is no evidence of any immediate impact arising from the use of pesticides, the Company has sought to limit the dependency on pesticides through the introduction of biological control as part of its pest management and corporate social responsibility. Furthermore, the Company would only use pesticides which are approved by the relevant authorities. Biological control involves the introduction of plants (e.g. *Cassia Cobanensis* and *Tunera*) to encourage the proliferation of parasites (e.g. *Dolichogenidea* and *Goryphus*) and predatory insects of bagworms and caterpillars (e.g. *Sycanus* and *Callimerus*).

(g) ***Labour force***

The palm oil industry is a labour intensive industry. Oil palm plantations require extensive manpower in nurturing seedlings, tree plantings, fertilising, harvesting as well as other routine maintenance works to ensure optimal yield. The palm oil industry faces difficulty in recruiting local workers and therefore the Company has resorted to the employment of foreign plantation workers. Hence, the RSB Group is required to comply with the policies imposed by the Government of Malaysia with regards to the employment of these foreign workers. Any future changes to such policies may adversely affect the ability of the RSB Group to employ foreign workers.

The RSB Group aims to attract and retain its employees through, amongst others, the provision of attractive amenities for its workforce such as clinic, living quarters and sports facilities, etc. In addition, the RSB Group has been and will continue to explore various options including the mechanisation of processes and the engagement of workers of different nationalities as well as local workers to improve production efficiency and reduce over dependency on foreign workers.

(h) ***Compulsory land acquisitions***

The state of Sarawak is empowered under the Sarawak Land Code to compulsorily acquire any land in Sarawak. In the event that the state of Sarawak compulsorily acquire any of the land held by the RSB Group (including the Sawai Land), the risk to RSB may be mitigated by the compensation awarded by the state of Sarawak for such compulsory acquisition, which compensation is generally based on the market value of the property pursuant to the Sarawak Land Code.

(i) ***Title conditions***

Plantation estates in Sarawak are generally held on titled lands. As such, the breach of any conditions stated in the land titles may trigger the land authorities to forfeit the affected land and/or impose fines and penalties. The RSB Group seeks to mitigate this risk by taking steps to ensure compliance of all land title conditions of the plantation estates held by the Group (including the Sawai Land).

(j) ***Risk of a reduction of usable land area***

Generally, provisional leases in Sarawak are subject to a condition that the holder of provisional leases shall not be entitled to a lease of an area equal to the area stated in the title but only to an area as the survey shows to be available. Therefore, any area which are alienated, subject to claims of native customary rights and/or found to be unavailable may be 'carved out' from the title upon full survey being conducted.

In view of the above, a perimeter survey has been conducted on the Sawai Land on 4 June 2001 by a licensed surveyor. Furthermore, as stated in the Valuation Report, the Sawai Land is not subject to any claim that it is under native customary land, as at 28 February 2011, being the material date of the Valuation Report.

(k) ***Transaction risk***

The completion of the Proposed Acquisition are conditional upon approvals of the shareholders of RSB and other relevant authorities as detailed in Section 7 of this Circular. As such, there can be no assurance that the Proposed Acquisition will not be exposed to risks such as the inability to obtain the approvals from the relevant parties and/or inability to comply with the conditions imposed by the relevant authorities, if any. However, RSB will continue to take all reasonable steps to ensure timely implementation of the Proposed Acquisition.

## **6. EFFECTS OF THE PROPOSED ACQUISITION**

### **6.1 Share capital and substantial shareholding**

The Proposed Acquisition is not expected to have any effect on the issued and paid-up share capital as well as the substantial shareholders' shareholdings of RSB as it does not involve any issue of new shares.

### **6.2 NA and Gearing**

The Proposed Acquisition is not expected to have any material effect on the NA and NA per share of the RSB Group.

As stated in section 2.4 of this Circular, the Purchase Price shall be satisfied via a combination of internally generated funds and bank borrowings. Depending on the eventual quantum of bank borrowings to be taken up by the RSB Group to finance the Purchase Price, the gearing level of the RSB Group is expected to increase in tandem upon completion of the Proposed Acquisition.

### **6.3 Earnings**

The Proposed Acquisition is not expected to have any material effect on the earnings and EPS of the RSB Group for the FYE 31 December 2011 as it is only expected to be completed by the fourth (4<sup>th</sup>) quarter of 2011.

## **7. APPROVALS REQUIRED**

The Proposed Acquisition is subject to the consents/approvals being obtained from the following authorities/parties:-

- (i) the consent from the Director of the Land and Survey Department of Sarawak for the Proposed Acquisition;
- (ii) the FIC, pursuant to the Section 2.1 (a) of the Guideline on the Acquisition of Properties of the Economic Planning Unit of the Prime Minister's Department;
- (iii) the shareholders of RSB at an EGM to be convened for the Proposed Acquisition; and
- (iv) any other relevant authorities/parties (if required).

The solicitors of RSB, had on 23 June 2011 submitted an application to the Director of the Land and Survey Department of Sarawak for the Proposed Acquisition, the approval of which is still pending as at LPD.

MIMB had on 25 July 2011 submitted an application to the Economic Planning Unit of the Prime Minister's Department for the Proposed Acquisition, the approval of which is still pending as at LPD.

Barring any unforeseen circumstances, the Board of RSB expects all approvals required for the Proposed Acquisition to be obtained by the fourth (4<sup>th</sup>) quarter of 2011.

## **8. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

None of the Directors and/or major shareholders of the Company or any persons connected with them have any interest, whether direct or indirect, in the Proposed Acquisition.

## **9. DIRECTORS' STATEMENT AND RECOMMENDATION**

After taking into consideration all aspects of the Proposed Acquisition, the Board is of the opinion that the Proposed Acquisition is fair and reasonable and is in the best interest of the RSB Group. Accordingly, the Board recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

## **10. OUTSTANDING CORPORATE EXERCISES**

Save for the Proposed Acquisition and the corporate exercises as disclosed below, the Board confirms that, as at the date of this Circular, there are no other proposals which have been announced by the Company but not yet completed:-

- (a) On 19 January 2011 and 10 June 2011, RSB announced that it had entered into two (2) separate conditional share sale agreements and supplementary share sale agreements respectively with Lembaga Amanah Kebajikan Masjid Negeri Sarawak ("LAKMNS") for the following proposals:-
  - (i) The proposed acquisition of 601,735 ordinary shares of RM1.00 each in PJP Pelita Biawak Plantation Sdn Bhd ("Biawak"), representing 15% of the issued and paid-up share capital of Biawak, from LAKMNS for a total purchase consideration of RM12,700,326 to be satisfied in cash; and

- (b) The proposed disposal of 1,680,000 ordinary shares of RM1.00 each in Lubuk Tiara Sdn Bhd ("**Lubuk Tiara**"), representing 21% of the issued and paid-up share capital of Lubuk Tiara to LAKMNS for a total sale consideration of RM13,100,723 to be satisfied in cash.

RSB had on 5 August 2011 despatched a circular to the shareholders of RSB relating to the above mentioned proposals.

- (b) On 27 May 2011, RSB announced that the Company proposes to undertake the following proposals:-
- (i) Proposed renounceable rights issue of up to 490,689,354 new ordinary shares of RM0.50 each in RSB ("**Rights Shares**") on the basis of three (3) Rights Shares for every one (1) existing ordinary shares of RM0.50 each in RSB ("**Proposed Rights Issue**");
  - (ii) Proposed bonus issue of up to 654,252,472 new ordinary shares of RM0.50 each in RSB ("**Bonus Shares**") on the basis of one (1) Bonus Share for every one (1) ordinary shares of RM0.50 each in RSB held after the Proposed Rights Issue;
  - (iii) Proposed increase in the authorised share capital of RSB from RM500,000,000 comprising 700,000,000 ordinary shares of RM0.50 each and 300,000,000 irredeemable convertible preference shares of RM0.50 each ("**ICPS**") to RM1,250,000,000 comprising 2,200,000,000 ordinary shares of RM0.50 each and 300,000,000 ICPS; and
  - (iv) Proposed amendment to the memorandum of association of RSB.

RSB had on 27 July 2011 despatched a circular to the shareholders of RSB relating to the above-mentioned proposal.

The Proposed Acquisition is not conditional upon the above-mentioned corporate exercise or any other corporate proposals.

## 11. ESTIMATED TIME FRAME FOR COMPLETION

The tentative timetable in relation to the Proposed Acquisition is as follows:-

Date	Events
22 August 2011	EGM to approve the Proposed Acquisition
4 <sup>th</sup> Quarter of 2011	Completion of the Proposed Acquisition

Subject to the approvals stated in Section 7 this Circular and barring unforeseen circumstances, the Board of RSB expects the Proposed Acquisition to be completed by the fourth (4<sup>th</sup>) quarter of 2011.

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**12. EGM**

The EGM, notice of which is enclosed in this Circular, will be held at the Function Room, 1<sup>st</sup> Floor, No 41-42, Pusat Suria Permata, Jalan Upper Lanang, 96000 Sibu, Sarawak on Monday, 22 August 2011 at 10.30 a.m, for the purpose of considering, and if thought fit, passing the resolution to give effect to the Proposed Acquisition.

If you are unable to attend and vote at the EGM in person, please complete the enclosed Form of Proxy in accordance with the instructions therein and return it to the Registered Office of the Company at No. 85-86, Pusat Suria Permata, Jalan Upper Lanang 12A, 96000 Sibu, Sarawak as soon as possible and in any event not less than forty eight (48) hours before the appointed time set for the EGM and any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

**13. FURTHER INFORMATION**

Shareholders are advised to refer to the attached appendices for further information

Yours faithfully,  
For and on behalf of the Board  
**RIMBUNAN SAWIT BERHAD**

**TIONG CHIONG ONG**  
**MANAGING DIRECTOR**

## **APPENDICES**

## VALUATION CERTIFICATE

**HENRY BUTCHER MALAYSIA***International Asset Consultants*

5 August 2011

The Board of Directors  
**Rimbunan Sawit Berhad**  
 No. 66 – 78, Pusat Suria Permata,  
 Jalan Upper Lanang 12A,  
 96000 Sibu, Sarawak

Dear Sir,

**CERTIFICATE OF VALUATION OF PROVISIONAL LEASE OF STATE LAND DEVELOPED FOR OIL PALM PLANTATION WITH AN AREA OF 4,857.00 HECTARES KNOWN AS SELANGOR PLANTATION ESTATE UNDER LOT 56 SAWAI LAND DISTRICT, MIRI DIVISION**

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This certificate has been prepared for inclusion in the circular to shareholders of Rimbunan Sawit Berhad ("RSB") dated 5 August 2011 in relation to the Proposed Acquisition by RSB of Selangor Plantation Estate.

In accordance with the instructions from RSB, we have valued the abovementioned property vide our valuation report bearing Reference No.: HBMM/VAL/MV/3923/2011 dated 29<sup>th</sup> March 2011 for the purpose of submission to the Bursa Malaysia Securities Berhad. The subject property was inspected on 25<sup>th</sup> March 2011. The material date of valuation for this exercise is at 28<sup>th</sup> February 2011.

We confirm that we have valued the property based on the valuation basis stated below. The valuation has been carried out in accordance with the Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia and in compliance with the Securities Commission's Asset Valuation Guidelines.

The basis of the valuation is the **Market Value** which is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In assessing the market value of the subject property, we have adopted both the **Discounted Cash Flow (DCF) Method** and the **Comparison Method**.

**HENRY BUTCHER MALAYSIA (MIRI) SDN. BHD.** (566177-X)

Lot 1189, First Floor, Miri Waterfront Commercial Centre, 98000 Miri, Sarawak.

P. O. Box 2214, 98000 Miri, Sarawak.

tel : 085-442800, 442898, 442899 • fax : 085-429699 • email : hbmalmiri@yahoo.com

[www.henrybutchermalaysia.com](http://www.henrybutchermalaysia.com)



Brief details of the Property as extracted from the valuation report are as follows:

Asset Identification	<p><b>Details of Title</b></p> <p>The subject estate, Selangor Plantation Estate is situated at Miri Division, Sarawak and under Provisional Lease of State Land, hereinafter referred to as the "subject property".</p> <p><b>Title Particular</b> Provisional Lease Lot 56 Sawai Land District</p> <p><b>Land Area (hectares)</b> 4,857.00</p> <p><b>Location/Address</b></p> <p>The Property is situated at Sungai Luai and Sungai Bawah, Niah and it is about 105 km (aerial distance) to the South-East of Miri Town, Sarawak.</p> <p><b>Accessibility</b></p> <p>Selangor Plantation Estate is accessible from Miri City Centre and can be made by way of Miri-Bintulu Road at 99.0 km and then turn into the junction intersect the neighbouring estates (about 10 km) before reaching the Estate boundary (check point) and then to the estate office which is about 3.0 km away.</p> <p>Alternatively, the Plantation estate is accessible from Miri Town via Miri-Bintulu Road (at 45 KM), Jalan Bukit Peninjau (25 KM), Jalan Beluru/Long Teru (22 KM) and then the trunk road which branches off the Jalan Beluru/Long Teru (formerly known as Tinjar Road) to the RH Oil Palm Mill and RH Bakong Plantation Administration office and worker's quarters (3 KM). From the RH Bakong Estate (estate from the same RH Group), the internal estate road is being used to reach Lubuk Tiara before reaching Selangor Plantation Estate.</p> <p><b>Tenure</b></p> <p>Leasehold 60 years expiring on 21/02/2054, with unexpired term of about 43 years.</p> <p><b>Classification / Category</b></p> <p>Mixed Zone Land / Country Land</p> <p><b>Special Condition(s)</b></p> <p>Agricultural purposes.</p> <p><b>Registered Proprietor</b></p> <p>Sheba Resources Sendirian Berhad</p>																																														
General Description of Asset	<p><b>Description</b></p> <p>The subject estate is under Provisional Lease of State Land, Lot 56 Sawai Land District, with total land area of 4,857.00 hectares and for oil palm plantation purposes.</p> <p>Selangor Plantation Estate is adjoining the Lubuk Tiara Plantation Estate (from the same Group), situated at Sungai Luai and Sungai Bawah, Niah.</p> <p>Selangor Plantation Estate comprises Divisions A to D and each phase is further divided into various Blocks for easy administrative purposes.</p> <p>The following is the area statement :-</p> <table><tr><th rowspan="2">Item</th><th colspan="2">Year</th><th rowspan="2">Planted Area (Ha)</th><th rowspan="2">Mature Area (Ha)</th><th rowspan="2">Immature Area (Ha)</th></tr><tr><th>Of Planting</th><th>Age @ 2011</th></tr><tr><td>1.</td><td>1997</td><td>14</td><td>1,717.37</td><td>1,717.37</td><td>-</td></tr><tr><td>2.</td><td>1996</td><td>15</td><td>856.49</td><td>856.49</td><td>-</td></tr><tr><td>3.</td><td>1995</td><td>16</td><td>859.26</td><td>859.26</td><td>-</td></tr><tr><td colspan="3">Grand Total</td><td>3,433.12</td><td>3,433.12</td><td>-</td></tr><tr><td colspan="3">Percentage (%) of mature plants</td><td></td><td>100%</td><td>-</td></tr></table> <p>The estate is linked from one block to another by main estate roads which are earth-gravelled constructions and the field roads or collecting roads are basically earth roads. The roads are not constructed in any particular direction but follow the natural contours of the terrain which they lie on. Most of the main roads are in motorable condition. The estate road chainages are detailed as follows:-</p> <table><tr><th>Gravelled Main Road</th><th>Ungravelled Main Road</th><th>Gravelled Field Road</th><th>Ungravelled Field Road</th></tr><tr><td>5.00 km</td><td>25.40 km</td><td>2.00 km</td><td>375.21 km</td></tr></table>	Item	Year		Planted Area (Ha)	Mature Area (Ha)	Immature Area (Ha)	Of Planting	Age @ 2011	1.	1997	14	1,717.37	1,717.37	-	2.	1996	15	856.49	856.49	-	3.	1995	16	859.26	859.26	-	Grand Total			3,433.12	3,433.12	-	Percentage (%) of mature plants				100%	-	Gravelled Main Road	Ungravelled Main Road	Gravelled Field Road	Ungravelled Field Road	5.00 km	25.40 km	2.00 km	375.21 km
Item	Year		Planted Area (Ha)	Mature Area (Ha)				Immature Area (Ha)																																							
	Of Planting	Age @ 2011																																													
1.	1997	14	1,717.37	1,717.37	-																																										
2.	1996	15	856.49	856.49	-																																										
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Percentage (%) of mature plants				100%	-																																										
Gravelled Main Road	Ungravelled Main Road	Gravelled Field Road	Ungravelled Field Road																																												
5.00 km	25.40 km	2.00 km	375.21 km																																												



There are various support and service buildings and amenities within the plantation detailed as follows:

Item	Type of Building	No. of Unit
1	Wooden Semi-detached Executive Quarter	2
2	Wooden Semi-Detached Staff Quarter	4
3	Temporary Office	1
4	Wooden Labour Quarter M1	10
5	Wooden Labour Quarter M2	8
6	Wooden Labour Quarter M3	2
7	Wooden Labour Quarter M4	6

Item	Type of Building	No. of Unit
8	Wooden Labour Quarter 8 doors	8
9	Wooden Labour Quarter 8 doors	24
10	Wooden Labour Quarter 2 doors	8
11	Workshop	1
12	Fertilizer Store	1
13	Canteen	1
14	Main Genset House	1

Most of the buildings are of timber construction.

The following is the production cost analysis and OER rate for the last 4 years:-

	Year	FY2007	FY2008	FY2009	FY2010
OER Rate (%)		20%	20%	20%	20%
Items					
1) Plantation Admin Charges Cost per ha		47.04	84.13	39.91	4.74
2) Maintenance/Cultivation Cost per ha		231.61	1,125.81	170.1	120.19
3) Harvesting & Collecting Cost Cost per metric tonne (RMMT)		24.62	17.63	1.64	1.81
4) FFB Transport To Mill Cost Cost per metric tonne (RMMT)		7.67	40.05	17.98	31.32

The following is the past 5 years yield recorded :-

Year	Yield <sup>2</sup> (Mt/ha)				
YOP <sup>1</sup>	2006	2007	2008	2009	2010
1995 - 1997	6.99	3.39	3.62	2.34	1.74

Notes:-

1. Year of Planting

2. Total weighted average from Year 2006 to Year 2010

### Comparison Method

Our findings from Lands and Surveys Department, Miri and Bintulu Divisions, Sarawak, revealed that there are transactions of oil palm plantation lands either vacant or planted. The vacant lands were sold in the region of RM2,500.00 to RM7,346.40 per hectare between August 1995 to July 2009. The planted lands were transacted in the region of RM5,200.00 to RM28,163.00 per hectare between August 1997 to December 2009. In view of the subject estate is a mature oil palm plantation, we noted the similar lands were sold at RM16,713.00 to RM28,163.00 per hectare. The details of the comparable lands are as follows:

Items	Comparable 1	Comparable 2	Comparable 3
Titles(s)	Lots 4 and 6 both of block 9 Dulit Land District	Lot 2 Block 34 Kemena Land District & Lot 2 Block 4 Selezu Land District	Lot 3 Block 3 Sawai Land District (Formerly known as Lots 3 to 14 Sawai Land District)
Name	Jayamax Plantation	Ladang Tabung Haji	BHB Plantation
Locality	Sungai Bok, Tinjar, Baram	Jalan Sebah, Bintulu	Sungai Niah, Niah
Accessibility	Through Miri-Bintulu road and then by surfaced road/car truck	Jalan Miri-Bintulu, Jalan Sebah, Bintulu	Jalan Miri-Bintulu and then internal private road
Type of Soil	Mineral soil	Peat Soil	Mineral soil
Terrain	Hilly/undulating	Flat and Undulating	Hilly/undulating
Category	Mixed Zone Land; Country Land	Mixed Zone Land; Country Land	Mixed Zone Land; Country Land
Annual Rent	RM12,256.00 per annum	RM761 per annum and RM16,536 per annum	RM11,600.00 per annum
Land Area	4,959.80 ha	7,000.00 ha (net area: 4,900.00 ha)	4,640.00 hectares (Formerly was 4607.19 hectares)
Tenure (Expiry date)	08/04/2059	31/12/2056	17/07/2077



Items	Comparable 1	Comparable 2	Comparable 3
Description	Lands planted with oil palm (1-9 years old)	Lands planted with oil palm (8 to 10 years old)	Lands planted with oil palm (12 to 14 years old)
Transaction Date	22/12/2009	29/04/2008	August 1997
Term & Conditions	To be used only for agricultural purposes and purposes incidental to the production and processing of crops thereon.	To be used only for agricultural purposes and purposes incidental to the production and processing of crops thereon.	To be used only for agricultural purposes and purposes incidental to the production and processing of crops thereon.
Share of Transfer	Whole Share	Whole Share	Whole Share
Transaction Amount	RM123,620,000.00	RM138,000,000.00	RM90,000,000.00
Transferor	Jayamax Plantation Sdn. Bhd.	Tabung Haji Sdn. Bhd.	Austral Enterprise Bhd.
Transferee	Rimbuan Sawit Bhd.	Semai Mekar Sdn. Bhd.	Harvest Master Sdn Bhd
Analysis	RM24,924.39 per hectare	RM28,163 per hectare	RM16,713 per hectare
Remarks	General Announcement (ref: No. MM-091221-53519) dated 22 <sup>nd</sup> December 2009	Assessment accepted. Noted that about 1,420 ha are subject to NCR claim and about 680 ha are unplanted area. Thus, the net area is 4,900.00 ha.	Transaction prices including Palm Oil Mill (POM). Estimated Value for POM is RM13,000,000.00.
Adjustment	An upward adjustment made on time (to reflect the 14 months time lags) and downward adjustment on age of the crop.	<i>We had inspected all the Comparables. However, we adopted Comparable 1 for the analysis. This is because the details information such as, the YOP (year of planting), Stand per Hectare (SPH), total developed area, the terrain and the estate performance are available. Thus, more direct and comprehensive comparison can be made as compared to comparable 2 and 3.</i>	
Adjusted Value	RM24,675.15 per Ha		

Based on the adjusted value above at RM24,675.15 per hectare, we derived the Market Value of the subject estate from the Comparison Method at RM119,800,000.00 (Ringgit Malaysia One Hundred Nineteen Million and Eight Hundred Thousand Only).

#### **Discounted Cashflow Method**

**Discounted Cashflow** approach is an income based method of valuation. The market value to be derived arises from the benefits of the sales of the oil palm planted thereon. These interest and rights involve the rights to sell off the fresh fruit bunches harvested from the plantation.

In the Discounted Cashflow Method, we based on the following parameters:

- |  |  |
|--|--|
| (a) Long term FFB price                        | : RM470 per mt                                       |
| (b) Yield                                      | : 3 mt to 20 mt per annum                            |
| (c) Field maintenance                          | : RM1,721.04 per ha per annum                        |
| (d) Rehabilitation cost (For Year 2011 & 2012) | : RM1,056.94 and RM542.74 per hectare, respectively. |
| (e) General Charges                            | : RM500 per ha per annum                             |
| (f) Harvesting and Collection                  | : RM46.00 per mt per annum                           |
| (g) Transportation to mill                     | : RM20 per mt  |
| (h) Discount rate                              | : 10.50%   |
| (i) Discount period                            | : From year 2011 to year 2022                        |
| (j) Basis Land Value                           | : 15,128.93 per ha                                   |

Note :

- |  |   |
|--|---|
| Long term FFB price  | - Based on the average local FFB price over 20 years, a RM470 per MT (CPO at RM2,350 p/MT) is adopted to be the average price on a long-term sustainable price.   |
| Yield  | - Based on the Company's historical yield records and projection. Also, the MPOB and Porim data.  |
| Field maintenance, General Charges, Harvesting and Collection & Transportation to mill | - Based on the past four (4) years historical cost of production, three (3) years Company's Projection, valuer's estimation and the rehabilitation cost for the whole estate had been incorporated in the first two years assessment. The adopted costs are in-line with the industrial average after considering the stand per hectare of the estate and the availability of the palm oil mill facilities. |
| Discount rate  | - The adopted discount rate of 10.5% for oil palm cultivation reflecting risk and return on investment over the long term risk free yield which is derived from Malaysian Government Securities and also the present base lending rate.   |
| Discount period  | - The remaining period of the economic life cycle for the palms, i.e. one cycle is about 25-27 years.   |



***Basis Land Value***

- The basic land value (BLV) is derived from,
    - The adjusted unimproved land value is RM9,293.20 per ha (based on the land value transacted with the vicinity at RM7,346.40 per ha);
    - The total building and infrastructure costs of RM3,982.51 per ha is based on the total cost analysed over 3,615.89 ha, which is about 92.34% of the total area (3,915.89 ha) to be developed.; and
    - Site clearance/preparation cost at RM1,853.22 per ha.
- Thus, the total BLV is RM15,128.93 per hectare.

Market Value using DCF Method is RM118,600,000.00 (Ringgit Malaysia One Hundred Eighteen Million and Six Hundred Thousand Only).

**Value Conclusion**

In arriving at the final value of subject property, we have adopted Discounted Cashflow Method over Comparison Method, because of the on-going nature of an operational estate. Costing figures are available and fairly reliable, and consideration can be given to different year of planting, stand per hectare (SPH), different yield patterns, costs of production, etc, which are unique to each of the estate. DCF method requires consideration of all the above to derive the market value, which is more actual, realistic and certain. On the other hand, to find a perfect comparable sale is impossible and value derived has to be based on a subjective evaluation and computation relying on value-based factors only. As such, the Comparison Method should only be used as a guide. It is our considered opinion that the Market Value of the leasehold oil palm plantation property free from all encumbrances is RM118,600,000.00 (Ringgit Malaysia One Hundred Eighteen Million and Six Hundred Thousand Only).

**Yours faithfully,  
HENRY BUTCHER MALAYSIA (MIRI) SDN. BHD.**

A handwritten signature in black ink, appearing to read 'Chai Cheon Nyiap', is written over a horizontal line.

**CHAI CHEON NYIAP**  
B.Sc (Hons) MIS (M) MRICS  
Registered Valuer (V414)

## FURTHER INFORMATION

### 1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and the Directors individually and collectively accept full responsibility for the accuracy of the information given in this Circular and confirm that after making all reasonable enquiries, and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement/information herein misleading.

All information relating to the Vendor was obtained from the Vendor's management and the responsibility of the Board of RSB is limited to ensuring that the relevant information is accurately reproduced in this Circular.

### 2. CONSENTS

The written consents of MIMB and HB Miri to the inclusion in this Circular of their names, valuation certificate and all references thereto where relevant, in the form and context in which they appear have been given and have not subsequently been withdrawn.

### 3. CONFLICT OF INTERESTS

#### 3.1 Principal Adviser

Presently, the holding company of MIMB is Hong Leong Bank Berhad ("**HLBB**"). HLBB and its subsidiaries ("**HLBB Group**") are principally engaged in all aspects of commercial banking business and in the provision of related services. MIMB is principally engaged in investment banking, stockbroking business and related financial services.

As at LPD, the credit facilities which have been granted to the RSB Group by the HLBB Group amounted up to RM81.2 million.

Notwithstanding the above, MIMB has confirmed that no conflict of interest exists or is likely to exist in respect of its role as the Principal Adviser of the Company for the Proposed Acquisition on the following bases:-

- (i) MIMB's role as the Principal Adviser for the Proposed Acquisition has been carried out professionally and objectively in accordance with the relevant terms of the due diligence planning memorandum as agreed with the Board of the Company. The due diligence processes and the verification exercises (which have been participated by the Directors and senior management of RSB, the solicitors for the Proposed Acquisition, HB Miri as independent valuers, MIMB and other relevant advisers) have been duly undertaken and performed in relation to the preparation of relevant documents relating to the Proposed Acquisition; and
- (ii) MIMB does not receive or derive any financial interest or benefit from the Proposed Acquisition other than the normal advisory fees charged pursuant to its role as the Principal Adviser.

#### 3.2 Other advisers

HB Miri has confirmed that no conflicts of interest exist or likely to exist in their capacities as the independent valuer.



#### **4. MATERIAL LITIGATION**

As at LPD, the Directors of RSB are not aware of any proceedings pending or threatened against the Sawai Land, or of any facts likely to give rise to any proceedings which might materially or adversely affect the position or operations at the Sawai Land.

Kindly note that the Litigation, as detailed in Section 3.2 of this Circular is made against the Vendor only.

#### **5. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**

##### **5.1 RSB Group**

As at the LPD, save for the following, the Directors of RSB are not aware of any material commitments and contingent liabilities incurred or known to be incurred by the RSB Group which upon being enforced may materially and adversely affect the financial position the RSB Group:-

- (i) Capital commitment amounting to RM9.44 million for the acquisition of property, plant and equipment; and
- (ii) Corporate guarantees amounting to RM279.48 million given by the RSB to financial institutions for credit facilities granted to the subsidiaries of RSB.

##### **5.2 Sawai Land**

As at the LPD, save for the Litigation as disclosed in Section 3.2 of this Circular, the Directors of RSB are not aware of any material commitments and contingent liabilities incurred or known to be incurred on the Sawai Land which upon being enforced may materially and adversely affect the financial position of RSB upon the completion of the Proposed Acquisition.

#### **6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company at No. 85-86, Pusat Suria Permata, Jalan Upper Lanang 12A, 96000 Sibu, Sarawak during normal business hours on any working day from the date of this Circular up to and including the date of the EGM:-

- (a) Memorandum and Articles of Association of RSB;
- (b) Letters of consent as referred to in Section 2 in this Appendix;
- (c) The Valuation Report together with the valuation certificates for the Sawai Land, as appraised by HB Miri;
- (d) The audited financial statements of RSB for the FYE 31 August 2009 and FPE 31 December 2010 and the unaudited FPE 31 March 2011; and
- (e) The Memorandum and SPA in relation to the Proposed Acquisition.



**Rimbunan Sawit**

**RIMBUNAN SAWIT BERHAD** (691393-U)  
(Incorporated in Malaysia under the Companies Act, 1965)

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Rimbunan Sawit Berhad (“**RSB**” or “**Company**”) will be held at Function Room, 1<sup>st</sup> Floor, No 41-42, Pusat Suria Permata, Jalan Upper Lanang, 96000 Sibu, Sarawak on Monday, 22 August 2011 at 10.30 a.m, for the purpose of considering and, if thought fit, passing with or without modification, the following resolution:-

#### **ORDINARY RESOLUTION**

**THE PROPOSED ACQUISITION BY R.H. PLANTATION SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF RSB, OF A PARCEL OF LAND WITH OIL PALM PLANTATION SITUATED AT SUNGAI LUAI AND SUNGAI BAWAH, NIAH, SARAWAK MEASURING 4,857 HECTARES HELD UNDER LOT 56, SAWAI LAND DISTRICT (“SAWAI LAND”) FROM SHEBA RESOURCES SDN BHD (“SHEBA RESOURCES”) FOR A CASH PURCHASE PRICE OF RM118,000,000 AND THE ASSUMPTION OF THE ACCRUED INTEREST ARISING FROM THE OUTSTANDING LOAN (AS DEFINED IN THE CIRCULAR TO SHAREHOLDERS OF RSB DATED 5 AUGUST 2011 (“PROPOSED ACQUISITION”)**

“**THAT**, subject to the approvals being obtained from the relevant authorities, approval be and is hereby given to the Company to acquire the Sawai Land in accordance with the terms and conditions of the conditional sale and purchase agreement (“**SPA**”) dated 3 June 2011 and any other supplements thereof that may be entered into in relation to the Proposed Acquisition;

**AND THAT**, the SPA dated 3 June 2011 relating to the Proposed Acquisition be and is hereby approved, ratified and confirmed **AND FURTHER THAT** the Directors of RSB be and are hereby authorised to take all steps and do all such acts and matters as they may consider necessary or expedient to give effect to the Proposed Acquisition with full power to give all notices, directions, consents and authorisations in respect of any matter arising under or in connection with the aforesaid Proposed Acquisition and to assent to any conditions, modifications, variations and/or amendments relating to the Proposed Acquisition as may be required by the relevant regulatory authorities and to do all such things as they may consider necessary or expedient in the best interests of the Company.”

By Order of the Board

**Voon Jan Moi (MAICSA 7021367)**  
**Toh Ka Soon (MAICSA 7031153)**  
**Joint Company Secretaries**

Sibu  
5 August 2011

#### *Notes:-*

- 1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.*
- 2. To be valid, the form of proxy, duly completed must be deposited at the registered office of the Company at No. 85 & 86, Pusat Suria Permata, Jalan Upper Lanang 12A, 96000 Sibu, Sarawak, not less than 48 hours before the time for holding the meeting or any adjournment thereof.*
- 3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Companies Act, 1965 are complied with.*
- 4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
- 5. If the appointor is a corporation the form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.*



Rimbunan Sawit

**RIMBUNAN SAWIT BERHAD** (691393-U)  
(Incorporated in Malaysia under the Companies Act, 1965)

**FORM OF PROXY**

**Number of ordinary shares held**

--

\*I/We (full name in capital letters) .....  
of (full address) .....  
being a \*member/members of RIMBUNAN SAWIT BERHAD (the "Company"), hereby appoint (full name in capital letters) .....NRIC/Company Registration No.....  
of (full address) .....  
or failing \*him/her, (full name in capital letters) .....  
.....NRIC/Company Registration No. ....  
of (full address) .....

or failing \*him/her, the CHAIRMAN OF THE MEETING as \*my/our proxy to vote for \*me/us and on \*my/our behalf at the Extraordinary General Meeting of the Company to be held at Function Room, 1<sup>st</sup> Floor, No 41-42, Pusat Suria Permata, Jalan Upper Lanang, 96000 Sibu, Sarawak on Monday, 22 August 2011 at 10.30 a.m.

Please indicate with an "X" in the space provided below as to how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at \*his/her discretion.

ORDINARY RESOLUTION	FOR	AGAINST
PROPOSED ACQUISITION		

\* Strike out whichever not applicable

As witness my/our hand(s) this .....day of .....2011

.....  
Signature of member / Common seal

Notes:-

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
2. To be valid, the form of proxy, duly completed must be deposited at the registered office of the Company at No. 85 & 86, Pusat Suria Permata, Jalan Upper Lanang 12A, 96000 Sibu, Sarawak, not less than 48 hours before the time for holding the meeting or any adjournment thereof.
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4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation the form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.



Fold this flap for sealing

Then fold here

AFFIX  
STAMP

THE COMPANY SECRETARIES  
**RIMBUNAN SAWIT BERHAD (691393-U)**  
No. 85 & 86, Pusat Suria Permata,  
Jalan Upper Lanang 12A,  
96000 Sibu, Sarawak  
Malaysia

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